

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature			Date	

WAYNE HOUSING COMMISSION

Financial Statements

December 31, 2004

Audited by

JOHN C. DIPIERO, P.C.

Certified Public Accountant

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MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING DECEMBER 31 2004

This discussion and analysis of the Wayne Housing Commission's financial performance for fiscal year ending December 31, 2004 should be read in conjunction with the auditor's opinion letter and the financial statements.

Entity-Wide Statements

The combined financial statements show, in one place, all the Commission's operations. Our statements are prepared on the accrual basis of accounting, which is similar to that used by most businesses. Under this method, all revenues and expenses conducted with the fiscal year are taken into account even if the cash involved has not actually been received or paid. The Financial Data Schedule included within the audit report contains all the programs of the Commission.

Fund Statements

The Financial Data Schedule reports the Commission's operations in more detail. The Commission reports all its activities using Proprietary Fund types. These funds are used to show activities that operate more like commercial enterprises. The Financial Data Schedule is organized by the government Catalogue of Finance Domestic Assistance (CFDA) numbers

Statement of Net Assets

	<u>Year 2004</u>	<u>Year 2003</u>	<u>Increase (Decrease)</u>
Cash	\$ 124,737	\$ 108,621	\$ 16,116
TOTAL ASSETS	\$ 124,737	\$ 108,621	\$ 16,116
Current Liabilities	\$ 60,100	\$ 45,054	\$ 15,046
Other Liabilities	\$ 12,200	\$ 0	\$ 12,200
Non-Current Liabilities	\$ 0	\$ 0	\$ 0
TOTAL LIABILITIES	\$ 60,100	\$ 45,054	\$ 15,046
Invested in Capital Assets	\$ 952,883	\$1,025,584	\$ (72,701)
Unrestricted Assets	\$ 65,617	\$ 68,495	\$ (2,878)
TOTAL NET ASSETS	\$1,018,500	\$1,094,079	\$ (75,579)

ANALYSIS STATEMENT OF REVENUE AND EXPENSES PRIOR AND CURRENT FISCAL YEAR:

	Year Ending December 31,		
	<u>Year 2004</u>	<u>Year 2003</u>	<u>%</u>
REVENUE			
Tenant Revenue	\$ 167,107	\$ 160,098	5%
HUD Operating Grants	\$ 138,809	\$ 136,257	2%
Capital Grants	\$ 33,761	\$ 61,921	46)%
Investment Income	\$ 308	\$ 124	149)%
Other Revenue	\$ 53	\$ 3,068	(99)%
TOTAL REVENUE	<u>\$ 340,038</u>	<u>\$ 361,468</u>	<u>(6)%</u>
EXPENSES			
Administrative Expenses (Salary)	\$ 78,068	\$ 84,668	(8)%
Auditing Fees	\$ 2,600	\$ 1,800	45)%
Compensated Absences	\$ (516)	\$ 2,008	(126)%
Employee Benefit Contributions (Admin)	\$ 36,440	\$ 34,393	6)%
Other Operating - Administrative Utilities	\$ 26,576	\$ 25,466	5)%
Water	\$ 7,397	\$ 10,141	(28)%
Electricity	\$ 3,553	\$ 4,887	(28)%
Gas	\$ 20,671	\$ 14,364	44)%
Ordinary Maintenance (Labor)	\$ 54,613	\$ 52,962	4)%
Ordinary Maintenance and Operations-Materials and Other	\$ 15,767	\$ 9,448	67)%
Ordinary Maintenance and Operations-Contract Costs	\$ 8,208	\$ 26,833	(70)%
Employee Benefit Contributions-Ordinary Maintenance	\$ 23,110	\$ 21,080	0)%
Insurance Premiums	\$ 17,624	\$ 12,120	46)%
Payments in Lieu of Taxes	\$ 13,353	\$ 13,056	3)%
Bad Debt - Tenant Rents	\$ 1,692	\$ 0	-
Excess Operating Revenue over Operating Expenses	\$ 30,882	\$ 48,242	(36)%
Depreciation Expense	<u>\$ 106,461</u>	<u>\$ 119,335</u>	<u>(11)%</u>
TOTAL EXPENSES	<u>\$ 415,617</u>	<u>\$ 432,561</u>	<u>(4)%</u>

The decrease in the Ordinary Maintenance and Operations Contract Costs is due to the purchase of a truck with a plow so the maintenance department can take care of the snow plowing for the commission.

COMMISSION'S POSITION

No significant change occurred in the Commission financial position during the year. We plan on using our capital improvement to replace roofing on ten senior buildings.

The Commission expects to continue to provide safe, sanitary and decent housing for the low and moderately low income families.

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

The financial report is designed to provide a general overview of the Commission's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Executive Director, Wayne Housing Commission, 4001 S Wayne Rd, Wayne, MI 48184

John C. DiPiero, P.C._____.

Certified Public Accountant

P. O. Box 378
Hemlock, Michigan 48626
Tel / Fax (989) 642-2092

Board of Commissioners
Wayne Housing Commission
4001 S Wayne Road
Wayne, Michigan 48184

Independent Auditor's Report

I have audited the financial statements listed in the Table of Contents of the Wayne Housing Commission as of and for the year ended December 31, 2004. These financial statements are the responsibility of the Housing Commission's management. My responsibility is to express an opinion on the financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Wayne Housing Commission as of December 31, 2004, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principals.

In accordance with *Government Auditing Standards*, I have also issued my report dated May 19, 2005 on my consideration of the Wayne Housing Commission's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Required Supplemental Information

The Management's Discussion and Analysis and the required supplemental information are not a required part of the basic financial statements but is supplemental information required by the *Governmental Auditing Standards* Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, I did not audit the information and express no opinion on it.

Combining Financial Statements

My audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Financial Data Schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, if fairly stated in all material respects in relation to the financial statements taken as whole.

Certified Public Accountant

May 19, 2005

Combined Statement of Net Assets
December 31, 2004

ASSETS

C-3065

CURRENT ASSETS

Cash	\$	124,737	
Accounts Receivable- Tenants		30	
Inventory- (net of allowance of \$ 50)		<u>950</u>	
Total Current Assets	\$		125,717

NON CURRENT ASSETS

Land	\$	58,641	
Buildings		1,144,839	
Furniture, Equipment- Dwelling		40,112	
Furniture, Equipment- Administrative		77,322	
Leasehold Improvements		1,777,719	
Accumulated Depreciation		<u>(2,145,750)</u>	
Total Non Current Assets			<u>952,883</u>

TOTAL ASSETS \$ 1,078,600

December 31, 2004

LIABILITIES & NET ASSETS

C-3065

LIABILITIES:

CURRENT LIABILITIES

Accounts Payable	\$	20,142
Accrued Payroll		3,271
Compensated Absences- current		6,411
Tenants Security Deposit		17,253
Accounts Payable- Other Governments		12,200
Deferred Revenue		<u>823</u>

Total Current Liabilities \$ 60,100

NET ASSETS:

Invested in Capital Assets, net of Related Debt	\$	952,883
Retained Earnings		<u>68,495</u>

Total Net Assets 1,018,500

TOTAL LIABILITIES & NET ASSETS \$ 1,078,600

The Accompanying Footnotes are an Integral Part of the Financial Statements

For the year ended December 31, 2004

OPERATING REVENUES

Tenant Rental Revenue	\$	167,107	
HUD Grants		172,570	
Interest Income		308	
Other Income		<u>53</u>	
<u>Total Operating Revenue</u>	\$		340,038

OPERATING EXPENSES

Administrative	\$	143,168	
Utility Expenses		31,621	
Ordinary Maintenance		101,698	
General Expenses		<u>32,669</u>	
<u>Total Operating Expenses</u>			<u>309,156</u>
<u>Operating Income (Loss)</u>	\$		30,882

NONOPERATING REVENUES (EXPENSES)

Depreciation Expense		<u>(106,461)</u>	
<u>Change in Net Assets</u>	\$		(75,579)
Total Net Assets- Beginning			<u>1,094,079</u>
Total Net Assets- Ending	\$		<u>1,018,500</u>

The Accompanying Footnotes are an Integral Part of the Financial Statements

For the Year Ended December 31, 2004

Business Type Activities

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Customers	\$	167,259
Payments to Suppliers		(157,632)
Payments to Employees		(132,681)
HUD Grants		172,570
Other Receipts (Payments)		<u>361</u>
Net Cash Provided (Used) by Operating Activities	\$	49,877

CASH FLOWS FROM CAPITAL AND
RELATED FINANCING ACTIVITIES

Purchases of Capital Assets		<u>(33,761)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$	16,116
Balance- Beginning of Year		<u>108,621</u>
Balance- End of Year	\$	<u>124,737</u>

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET
CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Net Profit or (Loss)	\$	(75,579)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation		106,461
Changes in Assets (Increase) Decrease:		
Receivables (Gross)		152
Inventory		3,800
Changes in Liabilities Increase (Decrease):		
Accounts Payable		19,469
Accrued Payroll		(3,591)
Accrued Compensated Absences		(516)
Security Deposits		457
Accounts Payable-Other Governments		606
Deferred Revenue		<u>(1,382)</u>
Net Cash Provided by Operating Activities	\$	<u>49,877</u>

The Accompanying Notes are an Integral part of the Financial Statements

December 31, 2004

NOTE 1: Summary of Significant Accounting Policies

Reporting Entity-

Wayne Housing Commission, Wayne, Michigan, (Commission) was created by ordinance of the city of Wayne. The Commission signed and Annual Contributions Contract (ACC) with the U.S. Department of Housing and Urban Development (HUD). The ACC requires the Commission to provide safe, sanitary and decent housing for qualifying senior and low income families.

The Commission consists of the following:

MI 129	Low rent program	76 units
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In determining the reporting entity, the manifestations of oversight, as defined by the Governmental Accounting Standards Board (GASB), Cod. sec 2100, were considered. The criteria include the following:

The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14 is the "primary government". A fundamental characteristic of a primary government is that it is a fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is legally separate entity for which the primary government is financially accountable. The criterion of financial accountability are the ability of the primary government to impose its will upon the potential component unit. Based on the above, there are no component units.

These criteria were considered in determining the reporting entity.

Basis of Presentation-

The accounts of the Commission are organized by the Catalog of Federal Domestic Awards (CFDA) numbers, in the Financial Data Schedule; each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenditures, or expenses, as appropriate. Commission resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Proprietary Funds

Enterprise Funds- Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises- where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, management control, accountability, or other purposes.

Basis of Accounting-

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Proprietary Funds are accounted for using the accrual basis of accounting. The revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Prior to October 1, 1998, the Commission followed a basis of accounting consistent with the cognizant agency, the U. S. Department of Housing and Urban Development, HUD. Those practices differed from Generally Accepted Accounting Principals (GAAP); however, for all fiscal years beginning on or after October 1, 1998, HUD has required adherence to GAAP. Therefore, the current and future financial presentations will follow GAAP and the Financial Accounting Standards Board (FASB) pronouncements issued subsequent to November 30, 1989, provided they do not conflict with Governmental Accounting Standards Board (GASB) pronouncements.

Budgetary data-

Formal budgetary integration is employed as a management control device during the year in proprietary type funds. Budgets for funds are adopted on a basis consistent with generally accepted accounting principles (GAAP) for that fund type. The Commission adopts a budget annually, and amends the budgets as it feels necessary in order to maintain financial integrity.

Assets, Liabilities, and Net Assets-

Deposits & Investments

Deposits are stated at cost; the carrying amount of deposits is separately displayed on the balance sheet as cash and cash equivalents; investments are stated at cost which approximates market.

Cash Equivalents

Cash Equivalents represent investments purchased with a three month maturity or less; investments meeting this criteria are reclassified for financial statement purposes as cash.

Fixed Assets

The accounting and reporting treatment applied to the fixed assets are determined by its measurement focus. All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and undesignated fund balance components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations; depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Buildings and Improvements	40 years
Equipment	3-10 years

Compensated Absences

Sick leave and other compensated absences with similar characteristics have been accrued as a liability. The amount accrued was based on the probability that the Commission will compensate the employees for the benefits through cash payments as a condition of the employees' termination or retirement.

Note 2: Cash and Investments.

The composition of cash and investments are as follows:

Cash:

General Fund Checking Accounts	\$ 124,337
Petty Cash & Change Fund	<u>400</u>
Financial Statement Total	<u>\$ 124,737</u>

Generally the Commission classifies cash and investments with the following risk assumptions:

- 1) Insured or registered in the Commission's name.
- 2) Uninsured or unregistered, held by a broker in the Commission's name.
- 3) Uninsured or unregistered, held by a broker not in the Commission's name.

	<u>Categories</u>			<u>Carrying</u>	<u>Market</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Amount</u>	<u>Value</u>
Cash:					
Checking A/C's	\$ 124,337	\$	\$	\$ 124,337	\$ 124,337
Petty Cash	<u>400</u>			<u>400</u>	<u>400</u>
Total Cash	\$ <u>124,737</u>	\$	\$	\$ <u>124,737</u>	\$ <u>124,737</u>

Note 3: Inventory

Inventory consist of the following:

Materials Inventory	\$ 1,000
Less: Allowance for Obsolescence	<u>(50)</u>
Financial Statement Total	\$ <u>950</u>

Note 4: Fixed Assets and Depreciation.

Property and equipment, are stated at cost and depreciated using the straight-line method over the estimated useful lives of the assets. Generally buildings and improvements are written off over 40 years; furniture and equipment three to seven years.

The following represents the changes in fixed assets for the year:

	<u>Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>End</u>
	<u>of Year</u>			<u>of Year</u>
Land	\$ 58,641	\$	\$	\$ 58,641
Buildings	1,144,839			1,144,839
Furniture & Equipment-Dwellings	40,112			40,112
Furniture & Equipment-Admin	77,322			77,322
Leasehold Improvements	<u>1,743,958</u>	<u>33,761</u>		<u>1,777,719</u>
	\$ 3,064,872	\$ 33,761	\$	\$ 3,098,633
Less Accumulated Depreciation	<u>2,039,289</u>	<u>106,461</u>		<u>2,145,750</u>
	\$ <u>1,025,584</u>	\$ <u>(72,700)</u>	\$	\$ <u>952,883</u>

Note 5: Pension Plan

The Commission participates in the city of Wayne retirement plan for eligible full time employees. The Commission contributes a percentage of the employees compensation to the plan and recognizes an expense when paid. Plan assets and statistical information concerning the pension plan are contained in a separate report issued by the City.

Note 6: Reclassifications.

Certain prior years' balances have been reclassified to conform to the current year's presentation.

Note 7: Combining Financial Data Schedules.

The totals in the combining Balance Sheet and combining Income Statement represent unconsolidated totals. Under principals of consolidation, inter fund transactions would be eliminated; the totals in the combined statements follow the financial data schedule format recommended by the U.S. Department of Housing and Urban Development's Real Estate Assessment Center (REAC).

Note 8: Risk Management

The Commission is exposed to various risks of loss related to property loss, torts, error and omissions and employee injuries. The Commission purchases commercial insurance to cover the risks of these losses. The Commission had the following insurance in effect during the year:

<u>Types of Policies</u>	<u>Coverage's</u>
Property	\$ 3,500,000
General Liability	1,000,000
Dishonesty Bond	1,000,000
Worker's Compensation and other riders:	
Coverage's required by the	
State of Michigan	

December 31, 2004

The Wayne Housing Commission (Commission) employees are City of Wayne employees. The Commission reimburses the City of Wayne for all wages, payroll taxes and benefits such as health insurance and pension cost for current employees; the Commission also will pay for retirees health benefits, however, no past employee is currently eligible for such benefits.

HUD has raised the question of paying post retirement benefits by Public Housing Agencies, especially when the relationship involves City employees. The current full time staff will become eligible for post retirement benefits in several years; whether those cost will be eligible or allowable will be determined by HUD.

December 31, 2004

The prior audit of the Wayne Housing Commission for the period ended December 31, 2003, contained no audit findings.

Report on Compliance and on Internal Control over
Financial Reporting Based on an Audit of Financial
Statements Performed in Accordance with
Government Auditing Standards
December 31, 2004

I have audited the financial statements of Wayne Housing Commission as of and for the year ended December 31, 2004, and have issued my report dated May 19, 2005. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As a part of obtaining reasonable assurance about whether Wayne Housing Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, I do not express such an opinion. However, the results of my tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards; refer to the section on findings and questioned cost.

Internal Control over Financial Reporting

In planning and performing my audit, I considered Wayne Housing Commission's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. There are no reportable conditions or material weaknesses concerning financial reporting.

This report is intended for the information of management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Certified Public Accountant

May 19, 2005

December 31, 2004

Summary of Auditor's Results:

Programs:

	<u>Major Program</u>	<u>Non Major Program</u>
Low income Public Housing		X
Capital Projects Funds		X

Opinions:

General Purpose Financial Statements-

Unqualified

Material weakness(es) noted	<u> </u> Yes	<u> X </u> No
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Reportable condition(s) noted	<u> </u> Yes	<u> X </u> No
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Non Compliance material to financial statements noted	<u> </u> Yes	<u> X </u> No
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Report on compliance for Federal programs-

Unqualified

Material weakness(es) noted	<u> </u> Yes	<u> X </u> No
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Reportable condition(s) noted	<u> </u> Yes	<u> x </u> No
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Non Compliance material to financial statements noted	<u> </u> Yes	<u> X </u> No
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Thresholds:

Dollar limit used to determine type A & B programs- \$ 300,000

The Auditee did qualify as a low risk auditee.

<u>Name of Federal Program</u>	<u>Major Program</u>	<u>Questioned Costs</u>	<u>Audit Finding Number</u>
Low Rent Public Housing	No	None	N/A
Capital Funds Programs	No	None	N/A